



Report to: General Committee

Meeting Date: October 7, 2019

SUBJECT: 2020 Recreation User Fee - Market Analysis
PREPARED BY: Mary Creighton, Director, Recreation Services

RECOMMENDATION:

- 1) That the report entitled “2020 Recreation User Fee - Market Analysis” be received; and,
- 2) That the 2020 Recreation Services additional user fees and permit increases based on market analysis be approved; and,
- 3) That a \$1.86 per hour increase, in addition to the Council approved increase, be applied to Adult Artificial Turf rentals be approved starting January 2020; and,
- 4) That the Non Prime Ice Arena fee be lowered to \$165.00, so that the fee matches the average rate amongst municipal comparators, and be approved starting January 2020; and,
- 5) That a \$6.00 per hour increase, in addition to the Council approved increase to the Aquatics Competitive Club community pool rental fee, be applied annually until the rental fee reaches the average rate amongst municipal comparators and be approved starting September 2020; and further,
- 6) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of the report is to seek Council approval for 2020 Recreation Services additional user and permit fees based on a market analysis and their respective effective dates.

BACKGROUND:

Annually, user fees are increased based on the greater of Consumer Price Index (CPI) or the CUPE settlement. Staff in Recreation also on a regular basis conduct a market analysis to evaluate opportunities to adjust user fees and permits based on market conditions.

In 2019, a review identified a number of opportunities for user fee increases, which were presented as part of the “2019 User Fee, Permit and Fine Increases - Market Competitive Analysis” which identified opportunities for all departments, within the corporation. The mandate was to benchmark the City’s fees against a minimum of three municipal comparators, two of which were the City of Vaughan and the City of Richmond Hill. The goal was to adjust the City’s fees at a minimum to be equivalent to the highest of the three comparators.

Recreation Fees, which were presented, included increases to camps, programs, pools and sports fields. The proposed increases were based on adjusting the fees to be equivalent to the highest comparable. The annual proposed impact to the operating budget was identified as \$432,001. The proposed 2019 Recreation fees increases were not approved as part of the budget process.

OPTIONS/ DISCUSSION:**2020 Additional User Fee Increase Based on Market Analysis**

The process of undertaking a market analysis continued for 2020 budget. Recreation Services undertook a market analysis of user fees to further determine the City's position against other municipalities as comparators in preparation for the 2020 Budget. The majority of Recreation user fees are at the highest rate in comparison to the City of Vaughan and City of Richmond Hill. Instead of proposing current rates to be equivalent to the highest comparable rate, Recreation Services revised its 2020 budget approach in identifying opportunities based on the average rate of City of Vaughan and City of Richmond Hill. This resulted in fewer fees being identified than those recommended in the 2019 review process.

In the 2020 review process, staff used the average user fee rate between two comparator municipalities (City of Vaughan and City of Richmond Hill) and are recommending changes in Recreation fees to match the average fee amongst the municipal comparators, if the average fee is above City of Markham rate.

The user fee increases are being brought forward at this time well in advance of the implementation date, so that community user groups have advance notification of the increases. Subsequently, this will allow community groups to account for the increases and implement the applicable user fee in their 2020 registration fees, if required.

The 2020 budget process will include revenue impacts net of any volume adjustments.

Direct Programs

Based on this review, staff verified that 86% of Markham Recreation's "Learn to Program" user fees are either at the highest fee or are in the top quartile amongst comparable municipalities. Through our discussion with the comparators, each municipality identified unique pricing strategies that allows for them to provide a range of program offerings. Their pricing strategies all support access and participation to all members of their communities.

When comparing City of Markham's direct program fees with the average rate amongst municipal comparators, City of Markham direct programming fees continues to range above comparators.

Staff are recommending no change in user fees associated with Direct Programming.

Drop-In Programs

The approach undertaken by staff within Recreation Service is consistent with the 2018 and 2019 user fee reviews, which recommended no changes in user fees to Drop-In programs. These programs allow for the greatest benefit to the community based on cost and accessibility, which aligns with Recreation's priority to provide accessible and affordable service for all residents.

Staff are recommending no change in user fees associated with Drop-In Programs.

Facility Permit (Non Prime Ice Rental)

Non-prime ice rental in community centre arenas is defined as the rental period between Monday to Friday, 7 a.m. to 4 p.m. September 1st to March 31st. Staff continues to receive numerous inquiries about non-prime ice rental opportunities, but based on feedback, our current rate has been identified as too high compared to surrounding municipalities and private arenas.

With Recreation Services hourly rate for non-prime ice being the second highest among comparable municipalities, staff is recommending a strategy to reduce the non-prime arena rental fee to the average fee amongst comparable municipalities. This strategy will be to lower the existing fee to \$165.00 per hour and to increase usage volume by five (5) additional hours per week, totaling an increase from 29 hours of non-prime ice per week to 34 hours per week to offset lost revenues.

Staff are confident that they will fill these additional hours with no net impact.

The recommended fee will be implemented starting January, 2020.

Facility Permits (Artificial Turf)

The fee review did identify pricing gaps that exist within the artificial turf rental rate for adult users. The chart below demonstrates the financial opportunities and the gap between Markham's current fee compared to the average rate amongst comparable municipalities.

Sportsfields - Fee (Hourly)

Artificial Turf	Current Fee	Additional Fee Increase %	Effective January 1, 2020	Rate Increase (per hour) \$	Annual Financial Impact
Adult	\$28.40	6.55%	\$30.26	\$1.86	\$2,744.85

Staff are recommending to increase the current rate for Artificial Turf rentals for Adults to \$30.26 per hour.

This recommended fee will be implemented starting January, 2020 for the start of the 2020 outdoor sport field season.

Facility Permit (Aquatics)

During the 2019 operating budget discussions, there was a presentation by competitive aquatic groups whom were concerned with the fee increase that was being proposed. At that time, Council recommended to not move forward with any fee changes. Since then, Staff have completed further work on this and are recommending a fee increase. The proposed fee increase is not as significant as the previously proposed increase and will have less impact to Markham's competitive aquatic groups.

Review Process

Staff are recommending fee increases for the Community Pools rental fee only. The fee to rent Pan Am pool is excluded from the review based on the fact that the Pan Am pool fee is currently at market. There are six (6) community pools used by Competitive Aquatics Clubs: Aaniin, Angus Glen, Centennial, Cornell, Milliken Mills and Thornlea.

The current total fee for Community Pool rental is \$60.43. Within the fee are two components:

- 1. Pool Fee**
Full pool water fee (25m x 6 lanes) \$23.99
- 2. Lifeguards Fee**
1 Supervisor + 1 Lifeguard + Benefits \$36.44
- Total Community Pool Fee \$60.43**

The 2019 review focuses exclusive on the pool fee component within the Community Pool rental fee. The lifeguard component is legislatively required and is charged as a direct recovery. This component of the Community Pool Fee is not impacted by a fee increase. The table below demonstrate the total fee that Aquatics Clubs pay on an annual basis and the pool component portion of that total fee that is under review.

Competitive Aquatic Clubs	Pan Am + Community Pool	Pan Am Pool	Community Pools			% of fee Impacted (F) = (E) / (A)
	Total Annual Contract Costs (A) = (B) + (C)	Pool Fee + Lifeguard Fee (B)	Total Contract Amount \$ (C) = (D) + (E)	Lifeguard Fee (D)	Pool Fee (E)	
Markham Aquatic Club	\$190,817	\$107,128	\$83,689	\$50,505	\$33,183	17.4%
Mallards Aquatic Club	\$130,441	\$74,448	\$59,993	\$39,027	\$20,966	16.1%
Markham Masters	\$10,222	\$0	\$10,222	\$7,652	\$2,570	25.1%
Thornhill Masters	\$7,615	\$0	\$7,615	\$4,591	\$3,024	39.7%
Markham Synchro	\$32,185	\$13,475	\$18,709	\$13,009	\$5,700	17.7%

During this market analysis, staff conducted a review of pool fees for City of Richmond Hill and the City of Vaughan. (see chart below). The average pool fee for the comparators is \$64.67. It is recommended that an increase of \$6.00 per hour be applied to the 6 lane community pool rental annually until the average comparator fee is achieved.

This recommended fee increase has been discussed with all competitive aquatics groups. Staff met with the aquatic groups and they are aware that the Markham fee is significantly lower than the average fee amongst comparable municipalities. Staff have been meeting with the aquatic groups to ensure that they are fully prepared for the increase.

Municipal Comparators

Fee Category	Richmond Hill Pool	Vaughan Pool	Markham Community Pool	Average Pool Fee
Pool Water Fee (6 Lane Pool)	\$59.33	\$70.02	\$23.99	\$64.67

The total impact to groups on an annual basis is reflected in the chart below. In general the fee increase, over and above the annual CPI, for the two larger groups (Markham Aquatic Club and Mallards Aquatics Club), which represents approximately 75% of the users amongst all competitive aquatic clubs, is 3.9% - 4.2%, based on their current usage.

Competitive Aquatic Clubs	Total Contract Amount \$ (A)	Community Pool Water Total	Impact of \$6 per hour Increase	
			Increase (B)	% of Total Contract Impacted (C) = (B)/(A)
Markham Aquatic Club	\$190,817	\$33,183	\$8,085	4.2%
Mallards Aquatic Club	\$130,441	\$20,966	\$5,208	3.9%
Markham Masters	\$10,222	\$2,570	\$630	6.1%
Thornhill Masters	\$7,615	\$3,024	\$756	9.9%
Markham Synchro	\$32,185	\$5,700	\$1,407	4.0%

This fee increase is to take effect in September, 2020 and will be reflected in the 2020 User Fee By-Law. This will allow sufficient time for the aquatic user groups to account for the increase in their 2020 budget process.

Based on the implementation date of September 2020, the annual financial impact to the will be \$16,086.

FINANCIAL CONSIDERATIONS**AQUATICS****(per hour)**

includes 13% HST	Year in Effect	Community Pool Rental Fee	Effective September 1 (*)	Rate Increase (Per Pool) \$	Additional Fee Increase %	Avg. Fee based on Municipal Comparator	Annual Financial Impact	2020 Financial Impact
Competitive Aquatics Club – 6 lane x 25 metre	2020	\$60.43	\$66.43	\$6.00	9.93%	\$98.28(*)	\$16,086	\$5,362
	2021	\$66.43	\$72.43	\$6.00	9.03%			
	2022	\$72.43	\$78.43	\$6.00	8.28%			
	2023	\$78.43	\$84.43	\$6.00	7.65%			
	2024	\$84.43	\$90.43	\$6.00	7.11%			
	2025	\$90.43	\$96.43	\$6.00	6.63%			

* Annual fee will still be subject to Council Approved annual increase (greater of CPI or CUPE)

Sportsfields - Fee (Hourly)

Artificial Turf	Current Fee	Additional Fee Increase %	Effective January 1, 2020	Rate Increase (per hour) \$	Annual Financial Impact	2020 Financial Impact
Adult	\$28.40	6.55%	\$30.26	\$1.86	\$2,744	\$2,744

The total 2020 financial impact from the proposed fee increase is \$8,106 and the annual impact from the proposed fee increase is \$18,380.

The 2020 Budget process will include revenue impacts net of any volume adjustments. Staff will monitor participation rates and should any issues arise as it pertains to a decline in volume, Senior Staff will be notified and adjustments will be made as required.

HUMAN RESOURCES CONSIDERATIONS

Not Applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not Applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

Not Applicable

RECOMMENDED BY:

Mary Creighton
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Brenda Librecz
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ATTACHMENTS: